

**REPORT OF THE AUDIT OF THE
ALLEN COUNTY
CLERK**

**For The Year Ended
December 31, 2009**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ALLEN COUNTY CLERK

**For The Year Ended
December 31, 2009**

The Auditor of Public Accounts has completed the Allen County Clerk's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$4,556 from the prior year, resulting in excess fees of \$7,217 as of December 31, 2009. Revenues decreased by \$349,885 from the prior year and expenditures decreased by \$345,329.

Report Comment:

- The County Clerk Should Have Expended Funds For Allowable Purposes

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Bobby Young, Allen County Judge/Executive
The Honorable Beverly Calvert, Allen County Clerk
Members of the Allen County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Allen County, Kentucky, for the year ended December 31, 2009. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 24, 2010 on our consideration of the Allen County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Bobby Young, Allen County Judge/Executive
The Honorable Beverly Calvert, Allen County Clerk
Members of the Allen County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Clerk Should Have Expended Funds For Allowable Purposes

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Allen County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

May 24, 2010

ALLEN COUNTY
BEVERLY CALVERT
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

State Fees For Services \$ 7,517

Revenue Supplemental 57,376

Fiscal Court 30,563

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers \$ 565,452

Usage Tax 752,618

Tangible Personal Property Tax 1,144,375

Notary/Application Fees 8,270

Lien Release Fees 11,561

Miscellaneous Income 6,662

Other-

Fish and Game Licenses 21,337

Marriage Licenses 5,502

Occupational Licenses 25

Housing Trust Fund 25,650

Deed Transfer Tax 42,670

Delinquent Tax 222,496 2,806,618

Fees Collected for Services:

Recordings-

Deeds and Powers of Attorney 16,483

Real Estate Mortgages 30,552

Chattel Mortgages and Financing Statements 41,670

All Other Recordings 4,994

Fixture Filing 306

Leases 289

Liens & Lis Pendens 8,331

Releases 8,893

Wills And Estate Settlements 749

Charges for Other Services-

Postage and Copywork 10,495

Candidate Filing Fees 2,300

Refunds/Overpayments 9,523

The accompanying notes are an integral part of this financial statement.

ALLEN COUNTY
 BEVERLY CALVERT
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

Revenues (Continued)

Other:

Miscellaneous	\$	18,593	
Interest Earned		<u>699</u>	<u>\$ 153,877</u>
Total Revenues			<u><u>3,055,951</u></u>

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	390,854
Usage Tax		729,881
Tangible Personal Property Tax		402,778
Web Renewals		851

Licenses, Taxes, and Fees-

Fish and Game Licenses		20,889
Delinquent Tax		17,582
Legal Process Tax		17,397
Housing Trust Fund		<u>25,708</u>

1,605,940

Payments to Fiscal Court:

Tangible Personal Property Tax	100,063	
Delinquent Tax	14,673	
Deed Transfer Tax	<u>40,537</u>	155,273

Payments to Other Districts:

Tangible Personal Property Tax	595,767	
Delinquent Tax	<u>117,530</u>	713,297

Payments to Sheriff 15,490

Payments to County Attorney 29,585

The accompanying notes are an integral part of this financial statement.

ALLEN COUNTY
 BEVERLY CALVERT
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

Expenditures (Continued)

Operating Expenditures:

Personnel Services-

Deputies' Salaries \$ 178,776

Employee Benefits-

Employer's Share Social Security 18,239

Employer's Share Retirement 36,283

Employer's Paid Health Insurance 56,188

Contracted Services-

Equipment and Maintenance Agreements 6,136

Tax Bill Preparation 2,655

Lease Agreements 66,296

Supplies and Materials-

Office Supplies 28,270

General Repairs and Maintenance 240

Other Charges-

Refunds 39,202

Conventions and Travel 8,441

Dues & Memberships 1,855

Postage 5,026

Bank Service Charges 304

Clerk's Insurance and Bonds 254

Miscellaneous Expense 804 \$ 448,969

Total Expenditures \$ 2,968,554

Less: Disallowed Expenditures-

Arrangements for Funerals 159

Summer Picnic and Christmas Dinner For Employees 635

Halloween Treats for School Children 203

Unreimbursed Personal Expenses 39

Total Disallowed Expenditures 1,036

Total Allowable Expenditures 2,967,518

The accompanying notes are an integral part of this financial statement.

ALLEN COUNTY
 BEVERLY CALVERT
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

Net Revenues		\$	88,433
Less: Statutory Maximum	\$	74,088	
Expense Allowance		3,600	
Training Incentive Benefit		3,528	
			81,216
Excess Fees Due County for 2009			7,217
Payment to Fiscal Court - March 23, 2010			6,928
Balance Due To Fiscal Court		*	\$ 289

*A check was written to the County Treasurer on May 20, 2010 in the amount of \$289.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Allen County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Allen County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 4. Leases

The Allen County Clerk's office was committed to the following lease agreements as of December 31, 2009:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2009
Software	\$ 3,400	60 months	6/22/2014	\$ 183,600
Hardware	1,698	60 months	6/22/2014	91,692
	<u>\$ 5,098</u>			<u>\$ 275,292</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Bobby Young, Allen County Judge/Executive
The Honorable Beverly Calvert, Allen County Clerk
Members of the Allen County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Allen County Clerk for the year ended December 31, 2009, and have issued our report thereon dated May 24, 2010. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Allen County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Allen County Clerk's financial statement for the year ended December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The County Clerk Should Have Expended Funds For Allowable Purposes

The Allen County Clerk's response to the finding identified in our audit is included in the accompanying comment and recommendation. We did not audit the County Clerk's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Allen County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

May 24, 2010

COMMENT AND RECOMMENDATION

ALLEN COUNTY
BEVERLY CALVERT, COUNTY CLERK
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2009

STATE LAW AND REGULATION:

The County Clerk Should Have Expended Funds For Allowable Purposes

In Funk vs. Milliken, 317 S.W. 2d 299 (KY 1958), Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowed only if the expenditures are necessary, adequately documented, reasonable in amount, beneficial to the public, and not predominantly personal in nature. The County Clerk expended \$159 for flower arrangements for funerals, \$635 for a summer picnic and Christmas dinner for her employees, \$203 for Halloween treats for school children, and \$39 for unreimbursed personal expenses. We recommend the County Clerk deposit personal funds in the amount of \$1,036 into her current Fee Account for these disallowed expenditures. Then, the County Clerk should disburse \$747 to the County Attorney's office for underpayment of delinquent taxes and \$289 to the County Treasurer for excess fees. We also recommend the County Clerk's office expend funds for official purposes and that these expenditures be necessary, adequately documented, reasonable in amount, beneficial to the public, and not predominantly personal in nature.

County Clerk's Response: Based on information received from the County Treasurer's office, I thought the funeral arrangements, employee picnic & Christmas dinner and candy for kids were allowable expenses. The personal expense was an oversight on my part. The credit card is in my personal name and I always check the bill and pay personal expenses myself. I just overlooked that charge. I reimbursed the fee account for the full amount as soon as it was discovered. I will not be paying these expenses from the fee account any longer as the auditor has made me aware they are not allowable.

Auditor's reply:

The County Clerk deposited personal funds of \$1,036 into her current Fee Account on May 17, 2010. On May 20, 2010, the County Clerk disbursed funds of \$747 to the County Attorney's office and \$289 to the County Treasurer from her current Fee Account.

